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C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 004811

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SUBJECT: MFA SAYS PRC CENTRAL GOVERNMENT HAS "AUTHORIZED"
HKG TO DISCUSS SFI WITH U.S. AND ASSERTS PRECEDENT-SETTING
AUTHORITY

REF: A. HONG KONG 4744

[1](#)B. HONG KONG 4659

[1](#)C. HONG KONG 4611 (AND PREVIOUS)

Classified By: CONSUL GENERAL JAMES B. CUNNINGHAM, FOR REASONS 1.4 (B)
AND (D)

[1](#)1. (C) Deputy Commissioner Xie Xiaoyan of the PRC Ministry of Foreign Affairs office in Hong Kong called in DPO Sakaue on December 19 to inform us under instructions that the Central Government had "authorized" the Hong Kong Government to engage in "negotiations" or "discussions" with the United States to determine the extent to which Hong Kong would be able to participate in the Secure Freight Initiative (SFI) that had arisen from the SAFE Port Act. Glancing at a prepared text, Xie told us the PRC "supports the objectives of SFI" and has engaged in "close and fruitful" cooperation with the USG on other programs to prevent terrorism or proliferation. The Central Government also "is very supportive of Hong Kong's autonomy as provided for under the Basic Law and the principle of 'One Country, Two Systems.'" The U.S. SFI proposal, however, is "not a simple issue concerning economics, trade and shipping, as it involves the political security of international trade, terrorism and proliferation." Thus, it is an issue that falls under the jurisdiction of the Central Government; the United States should have first raised the SFI proposal with the Central Government, and then taken it up with the Hong Kong Special Administrative Region Government (HKSARG), Xie claimed. He suggested that the USG give adequate consideration to PRC views when making proposals and noted that prior consultation is both "helpful and conducive" to discussions.

[1](#)2. (C) When DPO pressed Xie to clarify the nature of Beijing's concerns, Xie said particular concerns were "political" in nature, as there are "symbolic aspects of sovereignty" involved in the USG proposal. The PRC would have "preferred" that the U.S. take this into account and consulted Beijing first, he reiterated.

[1](#)3. (C) "Speaking personally," Xie noted that the USG and PRC had been working on the Megaports Initiative for some time. He then suggested that the U.S. stay focused on the Megaports projects in mainland China and Hong Kong, instead of launching additional initiatives, like SFI, which entails

radiation detection, imaging of containers' contents and recognition of containers' identifying numbers, recorded as part of a consolidated process. Asked why, Xie said that getting the Central Government's approval for any program like this was a complicated bureaucratic process requiring coordinating the views of multiple PRC government agencies, which tend to resist new ideas that they don't understand. Once the agencies were on-board, the State Council also had to approve. PRC agencies now understand and support Megaports, said Xie, so expansion of this program would be easier. He noted again, however, that he was giving his personal views and that Beijing had authorized Hong Kong to explore its limited participation in the SFI program.

¶4. (C) Comment: Xie delivered his message in a positive and low-key way, focusing on the fact that the PRC Central Government had considered the issue and, recognizing the importance of counterterrorism cooperation, "authorized" the HKSARG to proceed in holding discussions with the USG. Though he softened the PRC's assertion of jurisdiction and authority in this matter by using words like "would prefer" (that the USG first consult with Beijing on such issues), the message was clear and troubling. When we responded that we consider SFI to be an issue of port security and trade and therefore under the HKG,s purview, Xie admitted that under the "One Country, Two Systems" framework, "sometimes the line is not very clear." While Hong Kong Chief Executive Tsang had alerted the Consul General to Beijing,s interest in the issue (Ref C), the MFA,s message suggests a significant new assertion of authority. In launching the Container Security Initiative, and in our discussions to date on Megaports, we have worked directly with the Hong Kong Government without reference, to our knowledge, to separate discussions on the same subjects with the PRC. With the Central Government,s

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statement that it has "authorized" the HKSARG to engage substantively on SFI (which prompted HKG CITB Permanent Secretary Choi's Ref A message), the PRC has laid down a

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precedent-setting claim of authority in a new policy area. As we consider how to respond, we will be seeking Hong Kong Government views on the central government,s apparent attenuation of Hong Kong,s authority in this area, as well as further clarification from the MFA Commissioner's Office. Cunningham